

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND)	
ELECTRIC COMPANY FOR AN ORDER)	
AUTHORIZING THE ISSUANCE OF)	CASE NO. 92-250
SECURITIES AND THE ASSUMPTION OF)	
OBLIGATIONS)	

O R D E R

On June 12, 1992, Louisville Gas and Electric Company ("LG&E") filed an application requesting approval to issue and sell First Mortgage Bonds, Pollution Control Series S and Pollution Control Series T, in an aggregate principal amount not to exceed \$92 million. The First Mortgage Bonds would be issued pursuant to separate supplemental indentures, each of which would be a supplement to the Trust Indenture, dated November 1, 1949 between LG&E and Harris Trust and Savings Bank, as Trustee, as heretofore amended and supplemented. In connection with the issuance of these First Mortgage Bonds, LG&E will assume certain obligations under loan agreements with Jefferson County, Kentucky and Trimble County, Kentucky. The net proceeds would be used to discharge or refund bonds designated Jefferson County, Kentucky, 7 1/4 percent Pollution Control Revenue Bonds, 1975 Series A, due September 1, 2000 and Trimble County, Kentucky, 6 7/8 percent Pollution Control Revenue Bonds, 1987 Series A, due August 1, 1997. The First Mortgage Bonds would secure the payment of \$32 million in aggregate principal amount of a new series of Pollution

Control Revenue Bonds to be issued by Jefferson County, Kentucky, ("Jefferson County Refunding Bonds") and \$60 million in aggregate principal amount of a new series of Pollution Control Revenue Bonds to be issued by Trimble County, Kentucky ("Trimble County Refunding Bonds").

LG&E states that the 1975 Bonds can be redeemed at 100 percent of their principal amount and the 1987 Bonds at 102 percent of their principal amount on and after August 1, 1992. LG&E will thus be able to extend the maturity dates of the bonds and eliminate the sinking fund provisions of the 1975 Bonds. LG&E may also be able to issue the new bonds at a slightly lower rate than the 7.25 percent coupon on the 1975 Bonds. LG&E anticipates the Refunding Bonds may initially be issued with an interest rate that fluctuates.

If all or a portion of the Refunding Bonds are issued initially at a variable interest rate, LG&E may enter into an interest rate exchange agreement designed to allow LG&E to manage and limit its exposure to variable interest rates. LG&E anticipates entering into a swap agreement in connection with the \$32 million Jefferson County Refunding Bonds. An interest rate swap does not involve an exchange of the principal nor is it tied to any particular asset or liability. An interest rate swap is a contract in which one party agrees to make fixed rate payments to a counterparty, which in turn makes floating rate payments to the first party.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance and

delivery of the above securities by LG&E and the assumption by LG&E of the obligations under the loan agreements with Jefferson County, Kentucky, and Trimble County, Kentucky, the interest rate exchange agreement and other agreements described more fully in LG&E's application, are for lawful objects within its corporate purposes, are necessary and appropriate for and consistent with the proper performance of its service to the public, and are reasonably necessary and appropriate for such purposes and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. LG&E be and it hereby is authorized to issue, sell, and deliver First Mortgage Bonds in an aggregate principal amount not to exceed \$92 million in the manner set forth in its application and the Supplemental Indentures pursuant to the form set forth in the application.

2. LG&E be and it hereby is authorized to execute and deliver the loan agreements with Jefferson County, Kentucky, and Trimble County, Kentucky, the interest rate exchange agreement, and such other agreements as set out in the application and to perform the transactions contemplated by the agreements.

3. LG&E shall agree only to such terms and prices which will result in a positive net present value savings and which are consistent with said parameters as set out in its application.


4. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

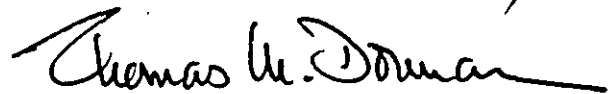
5. LG&E shall, within 30 days after the execution of agreements or issuance of the securities referred to herein, whichever is applicable, file with the Commission the executed documents including a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate(s) (including, if all or a portion of the Bonds initially bear a variable rate of interest, the method for determining the interest rate), the purchasers, and all fees and expenses including underwriting discounts, commissions or other compensation involved in the issuance and distribution, and a statement of the net present value savings.

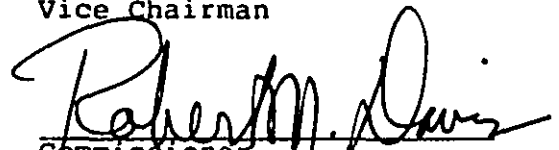
Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 11th day of August, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director